

**COUNTY OF PLACER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

This section of the County of Placer's (County) comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2003. It should be read in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise noted.

**FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded liabilities at the close FY 2002-03 by \$549,565 (*net assets*). Of the net assets amount, \$192,999 in *unrestricted net assets* is available to meet ongoing obligations to citizens and creditors, \$102,880 in *restricted net assets* must be used only for specific purposes and \$253,686 is *invested in capital assets, net of related debt*.
- The County's total net assets increased by \$58,661. The increase is due to County growth as reflected by increases in property taxes, operating grants and contributions, and an increase in charges for services due to rate increases.
- As of June 30, 2003, the County governmental funds reported combined fund balances of \$268,344 an increase of \$26,629 in comparison with the prior year. Approximately 86.3 percent of the combined fund balances, or \$231,654 is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the General Fund, the county's largest fund, was \$78,451 or 44.7 percent of total General Fund expenditures. However, this entire amount has been budgeted either for expenditure in FY 2003-04 or is reserved for future uses, although there is usually increased carryover fund balance each year from budget savings or revenues in excess of budget.
- The County's total long-term debt increased by \$2,675 in comparison with the prior year. New capital lease obligations accounted for \$480 of the increase. The balance relates to increases in estimates for compensated absences and self insurance liabilities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis in this section are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) **Government-wide** financial statements, 2) **Fund** financial statements, and 3) **Notes** to the basic financial statements. **Required Supplementary Information** is included in addition to the basic financial statements.

**Government-wide financial statements** are designed to provide readers with a broad overview of the County finances, using accounting methods similar to those of a private-sector business. These statements provide both long-term and short-term information about the County's overall financial status. The government-wide financial statements can be found on pages 13-15 of this report.

The *Statement of Net Assets* presents information on all the County's assets and liabilities as of the end of the fiscal year, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The *Statement of Activities* presents information on how net assets changed during the fiscal year, with revenues and expenses by major type or function. Revenues and expenses are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes, intergovernmental and program revenues (*governmental activities*) from other functions that are intended to recover most or all of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public assistance, health and sanitation, public ways and facilities, recreation and cultural services and education. The business-type activities of the County include community health clinics, facilities management, food services, public transit and waste disposal.

*Blended component units* are included in the County's basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. Examples are the Redevelopment Agency of Placer County, the North Lake Tahoe Public Financing Authority and numerous County Service Areas and Special Districts governed by the Board of Supervisors. The First 5 Placer County Children and Families Commission is reported as a discretely presented component unit because the governing body is not substantially the same as the County Board of Supervisors. For further information concerning the Redevelopment Agency of Placer County and the Placer County Children and Families Commission, refer to the separately issued financial statements, which are available from the Office of the Auditor-Controller upon request.

**Fund financial statements** are the more familiar groupings of related accounts that are used to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state or federal law or by debt covenants. All of the County's funds can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on the shorter-termed financial resources, such as cash, that (1) have been spent on governmental programs during the fiscal year and (2) that will be available for financing such programs in the near future. The governmental funds financial statements are presented by major fund and for nonmajor funds in the aggregate on pages 17-19 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Public Safety Fund, Public Ways and Facilities Fund, Capital Improvements Fund and Capital Projects Securitization Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Proprietary funds** are of two types: enterprise funds and internal service funds. These funds provide services that are usually supported in total or major part by customer fees and charges. The proprietary funds financial statements can be found on pages 21-25 of this report.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. As noted previously, the County uses enterprise funds to account for Transit, Facilities, Health and Human Services, County Service Areas and Sewer Maintenance Districts.

*Internal service funds* are an accounting device used to accumulate and allocate costs for services to the County's various functions. The County uses internal service funds to account for its telecommunications operations, workers' compensation and risk management, employee dental and vision and unemployment insurance programs, fleet services operations and maintenance, special district's administration and operations, correction's food services and countywide technology development and maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included primarily within *governmental activities* in the government-wide financial statements, except for special districts administration and operations, which primarily benefit the county service areas, sewer maintenance districts and waste disposal operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. All of the County's enterprise funds are considered to be major enterprise funds. The County's three internal service funds are also combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, except for agency funds, which have more limited accounting and financial statements because of their purely custodial character. The fiduciary fund financial statements can be found on pages 26-27 of this report.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 28-57 of this report.

**Required Supplementary Information** is presented concerning budgetary comparison schedules for the General Fund and major Special Revenue Funds, as well as the schedules of funding progress. Required supplementary information can be found on pages 60-64 of this report.

Immediately following the required supplementary information, the combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental funds and internal service funds. The combining and individual fund statements and schedules can be found on pages 65-95 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, net assets (assets in excess of liabilities) were \$549,565 at June 30, 2003, the close of the County's fiscal year.

**Condensed Statement of Net Assets**  
**June 30, 2003**  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total</b>
	2003	2002	2003	2002	2003	2002	(%) Change
<b>Assets:</b>							
Current and other assets	\$ 330,471	\$ 296,150	\$ 33,168	\$ 30,413	\$ 363,639	\$ 326,563	11.4%
Capital assets	198,443	183,271	87,258	81,410	285,701	264,681	7.9%
Total assets	<u>528,914</u>	<u>479,421</u>	<u>120,426</u>	<u>111,823</u>	<u>649,340</u>	<u>591,244</u>	<u>9.8%</u>
<b>Liabilities:</b>							
Current and other liabilities	23,760	26,213	3,852	2,709	27,612	28,922	-4.5%
Noncurrent liabilities	64,124	61,450	8,039	9,968	72,163	71,418	1.0%
Total liabilities	<u>87,884</u>	<u>87,663</u>	<u>11,891</u>	<u>12,677</u>	<u>99,775</u>	<u>100,340</u>	<u>-0.6%</u>
<b>Net Assets:</b>							
Invested in capital assets, net of related debt	170,842	155,054	82,844	77,361	253,686	232,415	9.1%
Restricted	102,880	87,901	-	-	102,880	87,901	17.0%
Unrestricted	167,308	148,803	25,691	21,785	192,999	170,588	13.1%
Total net assets	<u>\$ 441,030</u>	<u>\$ 391,758</u>	<u>\$ 108,535</u>	<u>\$ 99,146</u>	<u>\$ 549,565</u>	<u>\$ 490,904</u>	<u>12.0%</u>

The largest portion of the County's net assets of \$253,686 (46.2 percent) reflects its investment in *capital assets* (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, such as tax revenues, since the capital assets themselves cannot be used to liquidate these liabilities. Another significant portion of the County's net assets (35.1 percent) represents *unrestricted net assets* of \$192,999, which may be used to meet the County's ongoing obligations to citizens and creditors. The remaining balance of the County's net assets of \$102,880 (18.7 percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County reported positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The County's total net assets increased by \$58,661. The increase is due to County growth as reflected by increases in property taxes, operating grants and contributions, and an increase in charges for services due to rate increases. The following table indicates the changes in net assets for governmental and business-type activities:

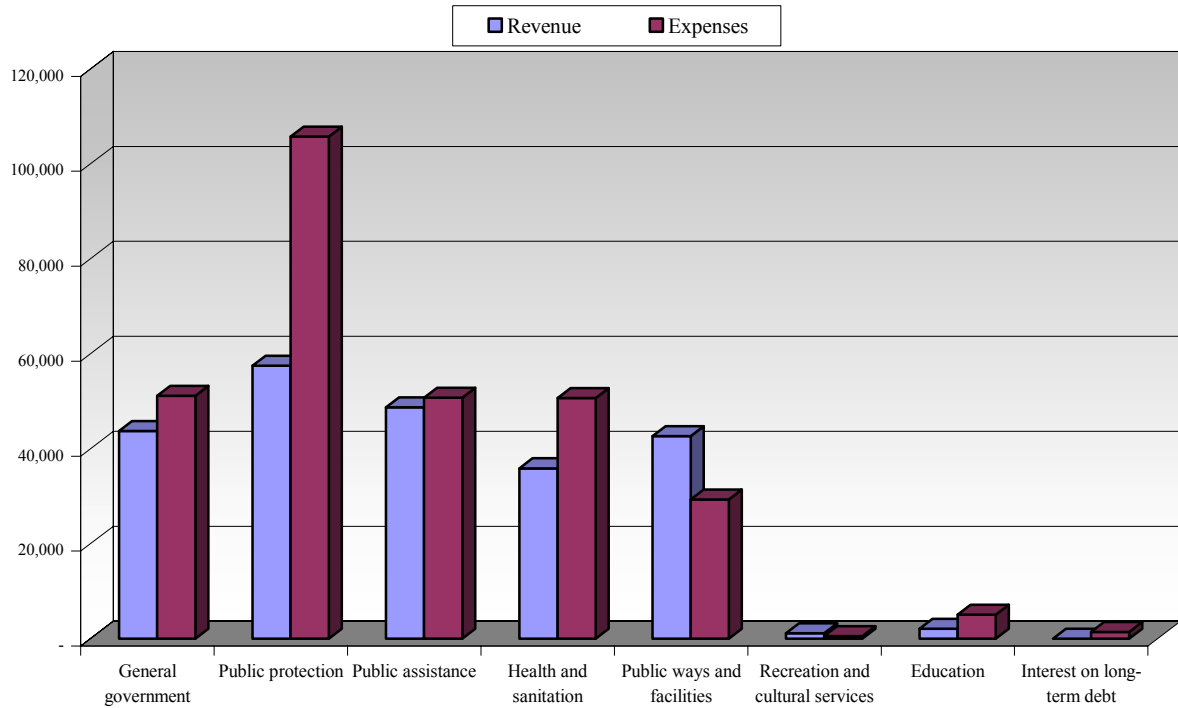
### Condensed Statement of Activities For the Fiscal Year Ended June 30, 2003 (in thousands)

	Governmental Activities		Business-type Activities		Total		Total (%) Change
	2003	2002	2003	2002	2003	2002	
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 64,977	\$ 46,937	\$ 18,644	\$ 16,830	\$ 83,621	\$ 63,767	31.1%
Operating grants and contributions	160,836	141,971	10,170	9,120	171,006	151,091	13.2%
Capital grants and contributions	5,801	18,542	5,960	2,973	11,761	21,515	-45.3%
General revenues:							
Property taxes	77,075	66,060	72	69	77,147	66,129	16.7%
Sales and use taxes	12,054	11,864	2,713	2,957	14,767	14,821	-0.4%
Transient occupancy taxes	7,061	7,143	-	-	7,061	7,143	-1.1%
Real property transfer tax	3,818	3,170	-	-	3,818	3,170	20.4%
Other taxes	97	110	-	-	97	110	-11.8%
Tobacco settlement	-	3,002	-	-	-	3,002	-100.0%
Grants and contributions not restricted to specific programs	4,222	16,050	-	-	4,222	16,050	-73.7%
Unrestricted investment earnings	9,423	9,940	864	1,231	10,287	11,171	-7.9%
Miscellaneous	3,237	2,957	-	-	3,237	2,957	9.5%
Total revenues	348,601	327,746	38,423	33,180	387,024	360,926	7.2%
<b>Expenses:</b>							
General government	51,166	53,088	-	-	51,166	53,088	-3.6%
Public protection	105,726	93,329	-	-	105,726	93,329	13.3%
Public assistance	50,761	63,732	-	-	50,761	63,732	-20.4%
Health and sanitation	50,658	27,137	-	-	50,658	27,137	86.7%
Public ways and facilities	29,316	27,490	-	-	29,316	27,490	6.6%
Recreation and cultural services	496	435	-	-	496	435	14.0%
Education	5,022	3,373	-	-	5,022	3,373	48.9%
Interest on long-term debt	1,408	1,939	-	-	1,408	1,939	-27.4%
Community health clinics	-	-	12,771	11,858	12,771	11,858	7.7%
Facilities	-	-	3,603	2,755	3,603	2,755	30.8%
Food services	-	-	321	336	321	336	-4.5%
Public transit	-	-	5,094	4,493	5,094	4,493	13.4%
Waste disposal	-	-	12,021	11,868	12,021	11,868	1.3%
Total expenses	294,553	270,523	33,810	31,310	328,363	301,833	8.8%
Increase in net assets before special item and transfers	54,048	57,223	4,613	1,870	58,661	59,093	-0.7%
Special item	-	35,492	-	-	-	35,492	-100.0%
Transfers	(4,776)	(2,535)	4,776	2,535	-	-	0.0%
Change in net assets	49,272	90,180	9,389	4,405	58,661	94,585	-38.0%
Net assets, beginning of year	391,758	301,578	99,146	94,741	490,904	396,319	23.9%
Net assets, end of year	\$ 441,030	\$ 391,758	\$ 108,535	\$ 99,146	\$ 549,565	\$ 490,904	11.9%

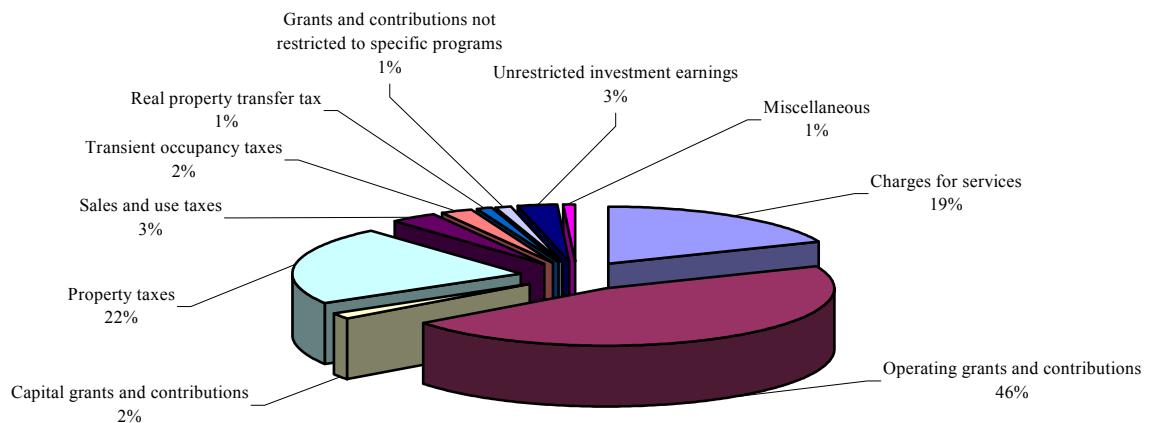
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Governmental activities** increased the County's net assets by \$49,271 thereby accounting for most of the increase in net assets of the County. The increase is due to County growth as reflected by increases in property taxes, operating grants and contributions, and an increase in charges for services due to rate increases.

### Expenses and Program Revenues-Governmental Activities



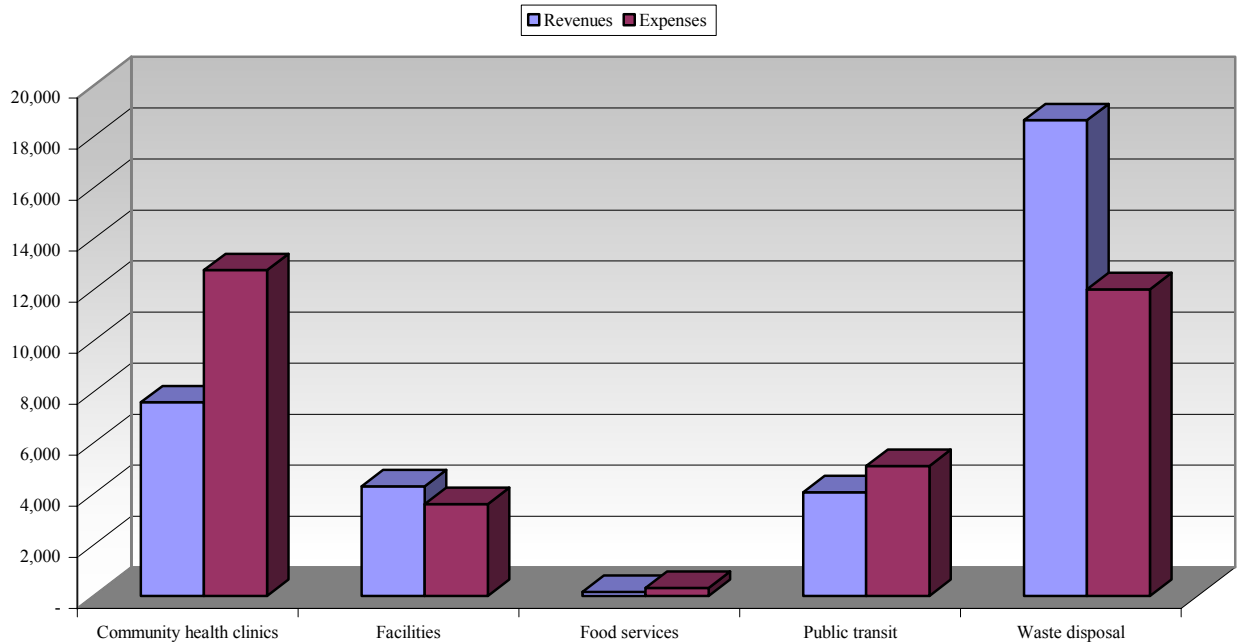
### Revenue by Source-Governmental Activities



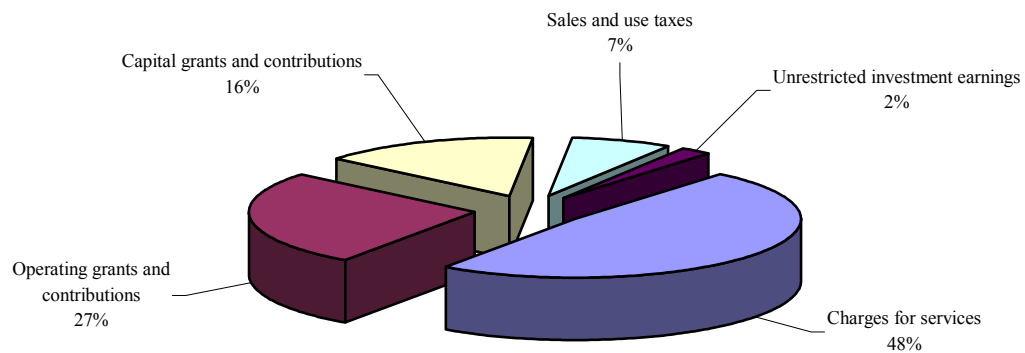
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Business-type activities** increased the County's net assets by \$9,389. The key factor that contributed to this increase was increased operating and capital grants and contributions and charges for services.

**Expenses and Program Revenues-Business-type Activities**



**Revenues by Source-Business-type Activities**



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental funds

The County's general government functions are contained in the General, Special Revenue, Debt Service, Capital Projects Funds and Permanent Fund. Also included in these funds are the special districts governed by the Board of Supervisors. As noted previously, the focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's more immediate financing requirements.

In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2003, the County's governmental funds reported combined fund balances of \$268,344, an increase of \$26,629 in comparison with the prior year. Approximately 86.3 percent of the combined fund balances, or \$231,654, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved indicating that it is not available for new spending because it has been committed: 1) to pay debt service; 2) to reflect inventories and the amount due from other funds that are long-term in nature and thus do not represent available spendable resources; 3) to liquidate contractual commitments of the period; and 4) a general reserve established per County policy.

The General Fund is the chief operating fund of the County. At June 30, 2003, unreserved fund balance of the General Fund was \$78,451, while total fund balance reached \$87,926. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represented 44.7 percent of total fund expenditures, while total fund balance represented 50.1 percent of that same amount. The County General Fund's fund balance decreased by \$10,174 during the current fiscal year. The key factor in this decrease was additional operating transfers to the Public Safety Fund, Capital Improvements Fund and County Services Fund. The remaining major funds and other governmental funds' balances increased by \$36,804 to \$180,419. The key factor in this increase is due to increases in General Fund operating transfers and developer fees in the Capital Improvements Fund.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year displayed.

Revenues by Source	Revenues Classified by Source (in thousands)					
	FY 2003		FY 2002		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 95,244	27.80%	\$ 88,348	28.38%	\$ 6,896	22.06%
Licenses, permits and franchise	5,707	1.67%	5,381	1.73%	326	1.04%
Fines, forfeitures and penalties	11,456	3.34%	10,791	3.47%	665	2.13%
Use of money and property	8,512	2.48%	8,672	2.79%	(160)	-0.51%
Intergovernmental	159,855	46.67%	156,706	50.34%	3,149	10.07%
Charges for services	52,652	15.37%	31,532	10.13%	21,120	67.55%
Tobacco settlement	-	0.00%	3,002	0.96%	(3,002)	-9.60%
Contributions and donations	5,337	1.56%	3,659	1.18%	1,678	5.37%
Miscellaneous revenues	3,786	1.11%	3,194	1.03%	592	1.89%
Total	<u>\$ 342,549</u>	<u>100.00%</u>	<u>\$ 311,285</u>	<u>100.00%</u>	<u>\$ 31,264</u>	<u>100.00%</u>

- *Taxes* increased by \$6.9 million or 22%. This increase is a result of the strong local real estate market as the County is the fastest-growing County in California.
- *Charges for services* increased \$21 million or 67%. This increase is due to increased fees for development and mitigation.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The following table presents the amount of expenditures by function as well as increases or decreases from the prior year displayed.

Expenditures by Function	Expenditures by Function (in thousands)					
	FY 2003		FY 2002		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General government	\$ 48,428	15.75%	\$ 47,352	17.46%	\$ 1,076	2.97%
Public protection	104,451	33.98%	91,654	33.79%	12,797	35.37%
Public assistance	50,760	16.51%	63,732	23.50%	(12,972)	-35.85%
Health and sanitation	50,565	16.45%	27,113	10.00%	23,452	64.82%
Public ways and facilities	18,102	5.89%	16,416	6.05%	1,686	4.66%
Recreation and cultural services	431	0.14%	368	0.14%	63	0.17%
Education	4,884	1.59%	3,243	1.20%	1,641	4.54%
Capital outlay	27,249	8.86%	19,015	7.01%	8,234	22.76%
Principal paid on long-term debt	1,096	0.36%	791	0.29%	305	0.84%
Interest on long-term debt	1,425	0.46%	1,527	0.56%	(102)	-0.28%
Total	<u>\$ 307,391</u>	<u>100.00%</u>	<u>\$ 271,211</u>	<u>100.00%</u>	<u>\$ 36,180</u>	<u>100.00%</u>

- *Public protection* expenditures increased \$13 million or 35%. This increase is due to increased salaries and benefits for staffing at the new jail wing, court security costs and additional security services provided to the new casino.
- *Public assistance* expenditures decreased \$13 million or 36%. This decrease is a result of the reclassification of mental health expenditures for Adult System of Care and Children's System of Care to the health and sanitation function.
- *Health and sanitation* expenditures increased \$23 million or 64%. Most of this increase is a result of the reclassification of mental health expenditures as discussed above. The remaining increase is due to increases in federal and state-mandated operating grants.
- *Capital outlay* expenditures increased \$8 million or 22%. This increase is due to the completion of the new jail wing and Bell Road widening, continued construction of a compressed natural gas facility and completed sewer maintenance district projects.

### Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the enterprise funds increased 5%, or \$9,225 to \$107,055. Most of this increase came from increased operating and capital grants and contributions and charges for services. The internal service funds net assets increased by \$3,982 to \$21,832. Most of this increase came from one-time transfer from the General Fund to the County Services Fund for the implementation of our new payroll/personnel system.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for the fiscal year ended June 30, 2003 resulted in a \$5,407 increase in appropriations and can be briefly summarized as follows:

- \$2,247 in increases in general government activities caused by an additional contribution to the Library Fund and an increase for the revenue recovery collections program.
- \$970 in increases allocated to public protection caused by a new civil assessment agreement with the Courts.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- \$2,536 in increases allocated to public assistance caused by changes at the State level for administration of operating grants and a new federal grant for Bio-Terrorism and Preparedness.
- \$507 in increases allocated to capital outlay due to additional equipment needs for the Clerk-Recorder.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounted to \$285,701 (net of accumulated depreciation). This investment in capital assets includes land and easements, infrastructure, structures and improvements, equipment and construction in progress. The total increase in the County's investment in capital assets for the current period was 7.9 percent or approximately \$21million.

Major capital asset events during the current fiscal year included the following:

- \$15,496 increase to structures and improvements
- \$7,205 increase to infrastructure
- \$7,471 increase to construction in progress

More detailed information about the County's capital assets is presented in Note 4 in the basic financial statements.

Capital Assets June 30, 2003 (in thousands)							
	Governmental activities		Business-type activities		Total		% of change
	2003	2002	2003	2002	2003	2002	
Land	\$ 15,380	\$ 14,741	\$ 1,398	\$ 1,398	\$ 16,778	\$ 16,139	3.96%
Construction in progress	42,972	34,207	1,209	3,144	44,181	37,351	18.29%
Structures and improvements	83,488	72,796	43,911	39,108	127,399	111,904	13.85%
Equipment	41,501	39,344	9,455	8,499	50,956	47,843	6.51%
Infrastructure	196,614	193,944	81,462	76,927	278,076	270,871	2.66%
Less: Accumulated depreciation	(181,512)	(171,761)	(50,177)	(47,666)	(231,689)	(219,427)	5.59%
Total	<u>\$ 198,443</u>	<u>\$ 183,271</u>	<u>\$ 87,258</u>	<u>\$ 81,410</u>	<u>\$ 285,701</u>	<u>\$ 264,681</u>	<u>7.94%</u>

### Long-term debt

At June 30, 2003, the County had total long-term debt outstanding of \$73,898. This amount is comprised of \$25,520 of certificates of participation, \$17,176 of compensated absences, \$2,856 of sewer and water and lease revenue bonds, \$20,456 of self insurance liability, \$5,018 of landfill postclosure liability and \$2,872 of capital leases payable. During the year, retirement of debt amounted to \$10,447. Additions included \$480 for new capital leases, \$4,136 for compensated absences, and \$8,310 for self insurance liability.

More detailed information about the County's long-term debt is presented in Notes 7 and 8 in the basic financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Outstanding Long-Term Debt June 30, 2003 (in thousands)

	Governmental activities		Business-type activities		Total		% of change
	2003	2002	2003	2002	2003	2002	
Revenue bonds	\$ -	\$ -	\$ 2,856	\$ 3,111	\$ 2,856	\$ 3,111	-8.20%
Capital leases	2,081	2,012	791	937	2,872	2,949	-2.61%
Certificates of participation	25,520	26,205	-	-	25,520	26,205	-2.61%
Self insurance	20,456	18,522	-	-	20,456	18,522	10.44%
Landfill closure liability	-	-	5,018	5,063	5,018	5,063	-0.89%
Compensated absences	16,068	14,711	1,108	857	17,176	15,568	10.33%
Total	<u>\$ 64,125</u>	<u>\$ 61,450</u>	<u>\$ 9,773</u>	<u>\$ 9,968</u>	<u>\$ 73,898</u>	<u>\$ 71,418</u>	<u>3.47%</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Due to the State budget crisis and the resulting risk of significant revenue reductions from State sources, the following factors were considered in preparing the County's balanced budget for fiscal year 2003-2004:

- ❖ To develop the department requested budgets at or near fiscal year 2002-2003 funding levels. Restrictions on expenditure growth were necessary to balance the budget and stabilize service delivery systems.
- ❖ To maintain current and appropriate operations, programs and service levels.
- ❖ To maintain infrastructure within overall financial resources including facilities, technology, and investments in County "quality of life" efforts.
- ❖ To maintain, where possible, adequate contingencies and capital and other reserve levels.

In addition to the above, these factors were also considered:

- ❖ The fiscal year 2003-2004 budget relies on a year of slow paced growth.
- ❖ The County's unemployment rate is at 4.6%, comparing favorably to the State of California rate of 6.7% and the U.S. rate of 6.1%.
- ❖ Salary and benefit costs in the County's operating funds have increased approximately \$11.1 million or 6.8% from the prior year budget. In addition to expected salary adjustments for cost of living and merit increases, the cost for employee medical, dental and vision insurance coverage continues to rise at a phenomenal rate. Also, the continuing poor performance of the investment market and sluggish economy has resulted in increased costs for contributions to the employee retirement system.
- ❖ Changes occurring in the insurance industry nationwide since the events of September 11<sup>th</sup> have caused insurance premium rates for next year's coverage to escalate upward of 100-150%. Escalating insurance costs were passed on to County departments through workers' compensation and general liability rate increases.
- ❖ The Board of Supervisors has approved a \$290 million Capital Facilities Financing Plan, including construction of the Auburn Justice Center and Land Development Buildings, renovation of the Fulweiler Administrative Annex, the South Placer Criminal Justice site acquisition and the Public Works Cabin Creek relocation.
- ❖ On July 9, 2003, the State notified counties they have ceased distributing part of the motor vehicle license fee and it is unknown as to how and when this will be funded by the State. The fiscal year 2003-2004 budget assumed full apportionment of the motor vehicle license fee.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Auditor-Controller, 2970 Richardson Drive, Auburn, CA 95603.